



## 1H23 double digit top-line growth, margins in recovery

### Sector: Technology

**1H23 sales +49% driven by organic growth and M&A.** In 1H23 SG Company Società Benefit grew its revenues by +49% reaching Euro 12.0 m and driven by organic growth (+6%) somewhat below our expectations for the full year and the contribution of Louder Italia for a total of Euro 3.5 m (in line with expectations of Euro 7.0 m for the full year). Gross Profit stood at Euro 1.8 m, up from Euro 1.2 m in 1H23 following the higher sales volumes as Gross Profit Margin remained largely stable at 15% (14.9% vs. 15.1% in 1H22). Opex increased vs. 1H22 c. +57% YoY to Euro 2.3 m (Euro 1.5 m in 1H23) mainly, according to Management, following direct and indirect costs related to M&A activity. As a result, EBITDA came in at Euro -224 k, down vs. Euro -51 k in 1H23 whereas the bottom line showed a Net Profit of Euro 0.1 m, vs. a Net Loss of Euro 0.1 m in 1H23 thanks also to Euro 0.4 m of dividend payments from subsidiaries. We recall that, the Group is still benefitting from Covid-19 related suspension of D&As (expected to expire in FY24). Looking at the balance sheet, Net Debt stood at Euro 4.9 m, up from Euro 3.1 m at the end of last year reflecting M&A activity (total cash out of c. Euro 2.5 m in 1H23). Net Equity at the end of the period considered was of Euro 2.8 m (Euro 3.1 m in FY21).

### Continuous commitment to M&A in support of future growth of revenues and margins.

Management did not provide guidance for FY23 but expressed expectations of sales growth and increased profitability in 2H given the seasonality of the business in favor of 2H and the positive contribution of the recently acquired FMA (closing July 2023) and Geotag (final closing expected in December 2023). In terms of business development, so far in FY23 the Group has added three companies to the consolidation perimeter: i) Louder Italia (see our previous report), ii) FMA, specialized in brand activation and with a client portfolio including brands like Ferrero, Cameo, Carlsberg, BIC Italia etc. (total FY22 sales of Euro 2.9 m, an EBITDA margin of 15% and a cash position of Euro 0.9 m, sales 1H23 + 38% YoY) and iii) Geotag a media agency specialized in proximity compunction (total FY22 sales of Euro 4.1 m, an EBITDA margin of c. 18% and a cash position of Euro 1.8 m). In addition, the Group has made minority investments through the capital increase in Kampaay (Euro up to 3 m see our last report) and Socialbroker (Euro 1.0 m for c 20% in August 2023) innovative SME active in the development and marketing of advanced software technologies, with a focus on insurance and finance. Although the Group is closing in on the target set out in the investment plan announced in July 2022 (total in investments in M&A of Euro 7.0 m within 2023) we expect Management to continue its relentless commitment to external growth aimed at completing the offering in terms of communication products and high margin value-added services while internalizing skills and competence. In our view, the structural changes made over the last two year in terms of product portfolio, innovation, and internal efficiencies should allow the Group to continue to grow revenues and margins also in the mid-term and we therefore confirm our positive stance of the stock.

**Estimate revision and new TP.** Given all the above and considering 1H23 results we made a slight cut in FY23 sales forecast to factor in lower-than-expected organic growth partially offset by new M&A. We now assume FY23 sales of Euro 30.6 m (Euro 32 m pr.) and EBITDA at Euro 1.1 m (Euro 1.9 m pr.). For FY24 we expect sales at Euro 40.5 m, +9% vs. Euro 37 m pr. following the full consolidation of FMA and Geotag while leaving our expectations for organic growth unchanged at 15%. We forecast a FY24 EBITDA of Euro 4.0 m vs. Euro 3.7 m pr. Overall, this translates in an average increase in sales and EPS of +2% and -14% respectively. Based on our updated estimates we set a new TP of 0.83 p.s. largely confirming our previous one at Euro 0.82 p.s.. Our valuation, based on a DCF model provides for a potential upside of 238%.

**Target Price 0.83 (0.82 pr.)**

Market Cap (€ m) **5.0**

EV (€ m) **10**

Market Price (€) **0.24**

**As of October 13<sup>th</sup> 2023**

#### Share Data

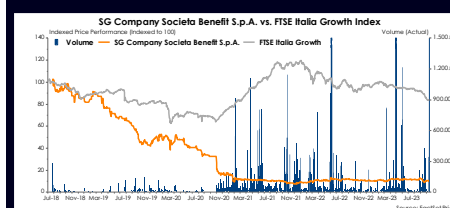
Market	Euronext Growth Milan
Bloomberg	SGC.IM
ISIN	IT0005337172
N. of Shares	31,863,070
Market	62,35%
Warrants Outstanding	17,967,265
Strike price war. (Eu)	0.66
Exerc. Period war.	Nov 23-27
CEO	Davide Verdesca

#### Financials

	21A	22A	23E	24E
<b>Sales</b>	11.4	16.9	30.6	40.5
YoY %	+14%	48%	82%	32%
<b>EBITDA</b>	1.5	0.7	1.2	4.0
EBITDA %	13%	4%	4%	10%
<b>EBIT</b>	(0.1)	0.4	0.9	3.2
EBIT %	n.m.	3%	3%	8%
<b>Net Income</b>	(0.1)	0.2	0.9	2.3
<b>Net D/(C)</b>	0.8	3.4	5.5	3.8
<b>Net Equity</b>	2.9	3.1	4.0	6.3

#### Performance

	1M	3M	6M
Absolute %	-15%	-21%	-24%
Relative (FTSE Italia Growth)	-8%	-11%	-11%
52-week High/Low (Eu)	0.36	/	0.22



#### Sustainability

Sustainability and impact reports available

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This Note is issued by arrangement with MIT SIM SpA, the Specialist engaged by the Company.

**KEY FINANCIALS**

<b>Profit&amp;Loss Statement</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>
Revenues	10,0	11,4	16,9	30,6	40,5
EBITDA	(3,4)	1,5	0,7	1,2	4,0
EBIT	(4,1)	(0,1)	0,4	0,9	3,2
Financial Income (charges)	(0,1)	(0,0)	(0,1)	0,3	(0,2)
Extraordinary items	0,0	0,0	0,0	0,0	0,0
Pre-tax profit (loss)	(4,1)	(0,1)	0,4	1,1	3,1
Taxes	1,0	(0,0)	(0,1)	(0,3)	(0,7)
Net profit (loss)	(3,1)	(0,1)	0,2	0,9	2,3

<b>Balance Sheet</b>					
Net working capital (NWC)	0,8	2,5	3,0	3,4	4,4
Net fixed assets	2,2	2,9	4,4	7,0	6,6
M/L Funds	(1,1)	(1,7)	(0,9)	(0,9)	(0,9)
Net Capital Employed	1,9	3,7	6,5	9,5	10,1
Net Debt	3,0	0,8	3,4	5,5	3,8
Minorities	0,0	0,0	0,0	0,0	0,0
Equity	(1,1)	2,9	3,1	4,0	6,3

<b>Cash Flow</b>					
Net Profit	(3,1)	(0,1)	0,2	0,9	2,3
D&A	0,0	0,0	0,0	0,0	0,5
Other non cash items	(0,2)	0,6	(0,9)	0,0	0,0
Change in Working Capital	1,0	(1,6)	(0,5)	(0,4)	(1,1)
Cash Flow from Operations	(2,3)	(1,1)	(1,2)	0,5	1,8
Capex	1,1	(0,8)	(1,5)	(2,6)	(0,1)
Operating Free Cash Flow	(1,1)	(1,9)	(2,7)	(2,0)	1,7
Change in Net Equity	(0,1)	4,1	(0,0)	(0,0)	0,0
Free Cash Flow	(1,2)	2,2	(2,7)	(2,1)	1,7

<b>Per Share Data</b>					
<b>Current Price</b>	0,24				
Total shares out m	31,86				
EPS	(0,1)	(0,0)	0,0	0,0	0,1
FCF	(0,0)	0,1	(0,1)	(0,1)	0,1
Pay out ratio	0%	0%	0%	0%	100%

<b>Ratios</b>					
EBITDA margin	n.s.	13,1%	4,1%	3,9%	9,9%
EBIT margin	n.s.	n.s.	2,6%	2,9%	7,9%
Net Debt/Equity	-268,2%	25,8%	110,9%	138,8%	60,4%
Net Debt/(Net Debt + Equity)	159,5%	20,5%	52,6%	58,1%	37,7%
Net Debt/EBITDA	n.s.	0,50	4,91	4,61	0,95
Interest cover EBIT	n.s.	n.s.	4,73	-3,33	21,42
ROE	278,5%	-4,1%	7,1%	22,0%	36,9%
ROCE	-268,3%	-1,8%	8,8%	12,2%	39,0%
Free Cash Flow Yield	n.m.	28,5%	n.m.	n.m.	21,8%

<b>Growth Rates</b>					
Revenues	-73%	14%	48%	82%	32%
EBITDA	-60%	144%	-53%	71%	237%
EBIT	-37%	98%	714%	98%	264%
Net Profit	16%	96%	286%	297%	167%

### FY22 Key Financials

Euro m	1H23	1H22	1H21	1H20	1H19	FY22	FY21	20A	19A
Revenues	12.0	8.1	4.0	5.6	17.5	16.9	11.4	10,0	37,4
yoy	+49%	+102%	-18%	-68%	+10%	+48%	+14%	-73%	12%
EBITDA adj	(0.2)	(0.1)	(0.1)	(2.0)	(1.7)	0.7	1.5	(3,4)	(2,1)
Margin	n.m.	n.m.	n.m.	n.m.	n.m.	4%	13%	n.m.	n.m.
EBIT adj	(0.2)	(0.1)	(0.4)	(2.1)	(1.8)	0.4	(0.1)	(3,8)	(2,5)
Margin	n.m.	n.m.	n.m.	n.m.	n.m.	3%	n.m.	n.m.	n.m.
Pre tax profit	0.2	(0.1)	(0.6)	(2.2)	(2.2)	0.4	(0.1)	(4,1)	(4,3)
Net Profit/ (Loss)	0.1	(0.1)	(0.6)	(1.7)	(1.8)	0.2	(0.1)	(3,1)	(3,7)
Net Working Capital	3.1	2.1	1.8	1.2	2.5	2.9	1.8	1.2	1.9
Fixed net assets	5.6	3.2	2.4	2.2	1.5	4.4	2.9	2.2	2.2
Funds	(1.0)	(1.0)	(1.0)	(1.1)	(0.9)	(0.8)	(1.7)	(1.1)	(0.9)
Net Capital Employed	7.7	4.3	3.2	2.3	3.1	6.5	3.7	2.3	3.2
Net Financial Position (Cash)	4.9	1.4	2.2	3.4	0.5	3.4	0.8	3.4	1.1
Total Equity	2.6	2.9	1.0	(1.1)	2.6	3.1	2.9	(1.1)	2.0
Sources	7.7	4.3	3.2	2.3	3.1	6.6	3.7	2.3	3.2

Source: Consolidated financial statements

### Estimate Revision

Euro m	23E Old	23E New	Var FY23	24E Old	24E New	Var FY24	Var av.
<b>Revenues</b>	<b>32,2</b>	<b>30,6</b>	-5%	<b>37,0</b>	<b>40,5</b>	9%	<b>2%</b>
yoy	91%	82%		15%	32%		
<b>EBITDA</b>	<b>1,9</b>	<b>1,2</b>	-38%	<b>3,7</b>	<b>4,0</b>	9%	<b>-14%</b>
margin	6%	4%		10%	10%		
<b>EBIT</b>	<b>1,6</b>	<b>0,9</b>	-45%	<b>2,9</b>	<b>3,2</b>	9%	<b>-18%</b>
margin	5%	3%		8%	8%		
<b>Pre tax profit</b>	<b>1,5</b>	<b>1,1</b>	-21%	<b>2,8</b>	<b>3,1</b>	10%	<b>-5%</b>
<b>Net Profit</b>	<b>1,1</b>	<b>0,9</b>	-21%	<b>2,1</b>	<b>2,3</b>	10%	<b>-5%</b>

Euro m	23E Old	23E New	Var FY23	24E Old	24E New	Var FY24	Var av.
Net Working Capital	3,7	3,4	-8%	4,2	4,4	6%	-1%
Fixed net assets	4,9	7,0	43%	4,5	6,6	46%	44%
Funds	(0,9)	(0,9)	0%	(0,9)	(0,9)	0%	0%
<b>Net Capital Employed</b>	<b>7,7</b>	<b>9,5</b>	23%	<b>7,8</b>	<b>10,1</b>	29%	<b>26%</b>
Net Debt/ (Cash)	3,5	5,5	58%	1,5	3,8	154%	106%
Total Equity	4,2	4,0	-6%	6,3	6,3	0%	-3%
<b>Sources</b>	<b>7,7</b>	<b>9,5</b>	23%	<b>7,8</b>	<b>10,1</b>	29%	<b>26%</b>

Source: PMI Capital research estimates

**VALUATION**

We updated our DCF based valuation model to factor in our new estimates and up to date risk free rate and ERP we obtained a Fair Value of SG Company SB of Euro 25.4 m, or Euro 0.83 p.s., largely confirming our previous one at Euro 0.82 p.s.. Our TP provides for an upside vs. current share price of c. 238%. Our valuation is based on the Discounted Cash Flow (DCF) analysis as we for now have excluded a multiple based analysis as a longer timeframe is needed to reflect the fair value of the Company as the industry is still recovering from the devastating effects of the Covid pandemic.

<b>DCF Valuation</b>	
WACC	9.17%
Perpetual growth rate (g)	1%
Sum of PV 2023-28 FCFs	12.7
Discounted terminal value	17.9
<b>Enterprise Value</b>	<b>30.6</b>
Net Debt (1H23)	4.9
Minorities (1H23)	0.3
<b>Equity Value</b>	<b>25.4</b>
Shares Outstanding (net of own shares) m	31.6
<b>Price per share (Euro)</b>	<b>0.83</b>

**SG COMPANY SOCIETA' BENEFIT SNAPSHOT**

**GROUP PROFILE**

SG Company Società Benefit S.p.A. is an Innovative SME with a high-standing client portfolio, listed on Euronext Growth Milan of Borsa Italiana (ticker: SGC) in the Technology field. For over 20 years among the main players in Italy it operates in the Entertainment & Communication sector and is specialized through its various subsidiaries in Digital & Live Communication activities, Event production and M.I.C.E. (Sinergie S.r.l. and Louder Italia S.r.l.), in digital campaigns, branded content and entertainment projects, analytics and platforms for Digital Events (Brainwaves S.r.l.), in Commercial, corporate and digital adv projects, Production and post Video and audio production, motion graphic e sound design (Double S.r.l.), in Integrated and digital communication strategies (Mission to Heart S.r.l.) and in shopper & brand activation, retail development & design, events & street marketing, strategy & consulting, customer marketing (FMA S.r.l.). In line with its mission of "Sharing Growth", the Company has also embarked on the ESG path (Environmental, Social and Governance) firmly believing in the value of collective benefit activities, it has adopted the 231 organizational model, and Sinergie S.r.l. is certified ISO 9001 for quality and ISO 37001 for anti-corruption in order to ensure a sustainable and transparent management of the company increasingly oriented to the future.

**Management**

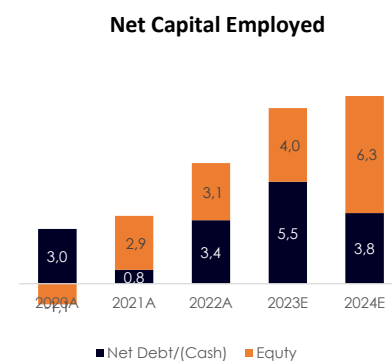
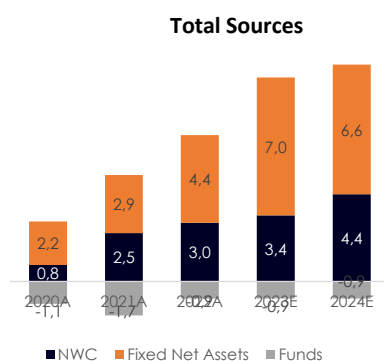
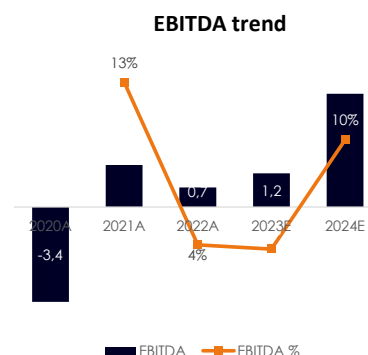
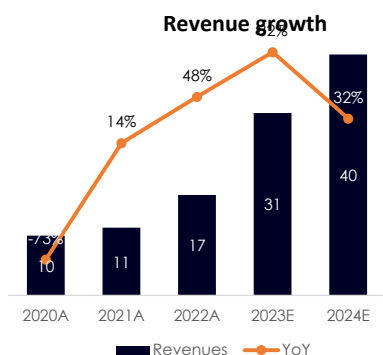
Davide Verdesca – Chairman and CEO  
 Francesco Merone – CFO  
 Luigi Spinolo – Non executive Board Member  
 Davide Mantegazza - Non executive Board Member  
 Silvia Pugi - Non executive Board Member  
 Carlo Altomonte – Independent Board Member

**Shareholders**

DL Srl	31.39%
Davide Verdasca	5.41%
Own shares	0.85%
Market	62.35%

*Francesco Merone (CFO) holds 2.96% of the share capital included in Market*

**SG Company Società Benefit in charts**



**Investment Thesis**

- Good reputation and track record based on over 20 years of experience in the market and a highly qualified team of professionals capable of innovating in terms of format and content.
- Growth driven by markets with high expected growth rates over the next years (MarTech, Live Events and Video).
- Leverage on current client base for the development of new business areas. The Group can rely on a portfolio of loyal high profile clients such as A2A, ABI Eventi, Allianz, BlackRock, Medtronic, Vodafone, Eolo, Wind3, PWC, Bayer, Ferrari, Mediolanum, Sisley, LVMH, Daikin, BMW, Dainese, Enel, Eolo, CheBanca!, Youtube, Generali, Lavazza, Vorwerk, Google, L'Oréal, Luxottica, Pandora e Sky, TIM, Siemens, DAZN.
- Well diversified client base in terms of industry. Over the years since listing the Group has been able to significantly diversify the industry risk by targeting new markets.
- Innovative SME and Benefit Corporation with an outlined ESG path. As of March 2022, SG Company BC has adopted and Organization Model pursuant to the 231/2001 law.

**SG COMPANY SOCIETÀ BENEFIT S.P.A. ON EURONEXT GROWTH MILAN**

**SHARES** (as of October 13<sup>th</sup>, 2023)

Code: SGC  
 Bloomberg: SGC IM  
 Reuters: SGC.MI  
 ISIN: IT0005337172  
 Shares: 31.863.070  
 Price: Euro 0.31  
 Performance from IPO: -88%  
 Capitalisation: Euro 5 m  
 Market: 62.35%  
 EGA: Banca Profilo

**IPO**

Trading Market: Euronext Growth Milan  
 Date: July 26<sup>th</sup>, 2018  
 Price: 2.00  
 Capital raised: Euro 3.0 m  
 Capitalisation: Euro 23.0 m

**WARRANT 2018-2027** (as of October 13<sup>th</sup>, 2023)

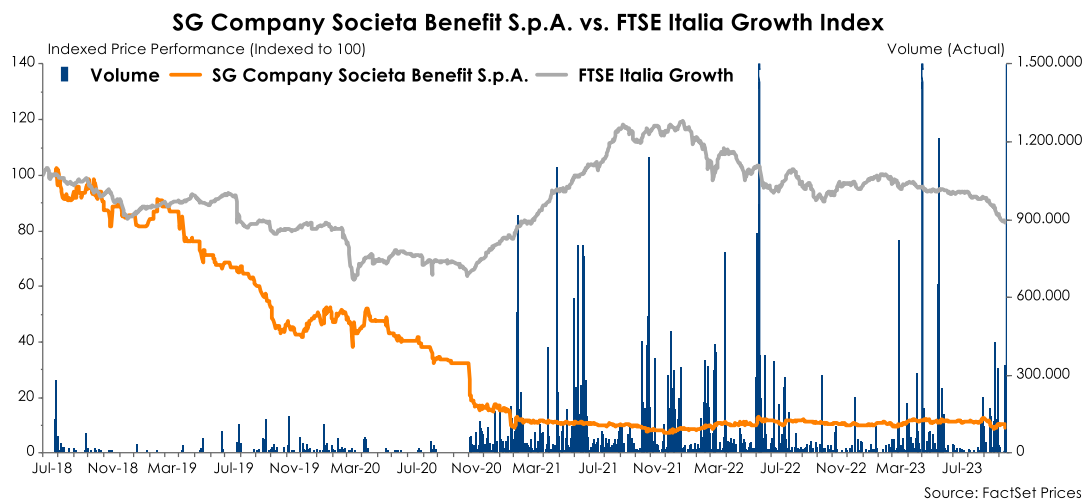
Alphanumeric Code: WSGC25  
 ISIN: IT0005347593  
 Issued warrants: 24.140.159  
 Exercise ratio: 1 new share every 1 warrants held  
 Outstanding warrants: n. 17.967.265

**OWNERSHIP**

Shareholder	Number of Shares	%
DL Srl*		31,39%
Davide Verdasca (CEO)		5,41%
Mercato		62,35%
Own Shares		0,85%
<b>Total</b>		<b>100,00%</b>

Francesco Merone (CFO) holds 2.96% of the share capital included in Market

**STOCK PERFORMANCE**



Source: FactSet Prices

**DISCLAIMER  
UPDATES**

UPDATES: This Research is an update coverage made by IR Top Consulting S.r.l. (IR Top) on SG Company Società Benefit (the "Company"). Update frequency might depend on circumstances considered to be important (corporate events and changes of recommendation, etc.) or on further advisory commitment. Last Research on the same Company was released on October 5<sup>th</sup>, 2023. Opinions and estimates of this Research are as the date of this material and are subject to change. Information and opinions have been obtained from sources public and believed to be reliable, but no warranty is made as to their accuracy or correctness. Past performances of the Company are not guarantee of future results. During the last 12 months, the following indications have been disseminated:

Date	Target Price	Market Price	Validity Time
16 October, 2023	0.83	0.24	12 months
5 April, 2023	0.82	0.31	12 months
5 October 2022	0.67	0.28	12 months
5 April 2022	0.64	0.28	12 months
8 November 2021	0.63	0.22	12 months
23 June 2021	0.62	0.28	12 months

**VALUATION METHODOLOGY (HORIZON: 12M)**

IRTop obtained a fair value using a Discounted Cash Flow model.

Detailed information about the valuation or methodology and the underlying assumptions and information about the proprietary model used is accessible at IRTop premises.

**RESEARCH TEAM:**

Luisa Primi, (Senior Analyst, AIAF Associated)

No other people or companies participated or anyhow contributed to the Research. Neither the members of the research team, nor any person closely associated with them have any relationships or are involved in circumstances that may reasonably be expected to impair the objectivity of the Research, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them who was involved in producing the Research.

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